



Q2 2023 Update for Heimstaden Bostad

18 August 2023

Welcome from the CEO
Helge Krogsbøl



- Appointed CEO October 2022
- Appointed Deputy CEO of Heimstaden in August 2021
- Heimstaden Chief Operating Officer since 2018
- Previously SVP at Pandox AB, CEO at First Hotels, RDO at Olav Thon Group – Thon conference Nordic & Benelux region

Themes for today: Navigating the current environment

- 1 **Solid fundamentals** – improved like-for-like rental income growth of 5.6% & NOI margin of 69%
- 2 **Supply/demand imbalances continue to increase** – expecting relief on valuations in H2
- 3 **Strong liquidity** – financing in good progress to cover funding needs through 2024
- 4 **Committed to the financial policy** – ambition to defend the credit rating and evaluate capital needs

Introducing the Head of Corporate Finance

Rutger Kaeding



- Appointed Head of Corporate Finance in July 2023 based in Copenhagen
- Previously 7 years Head of Corporate Finance and Treasury at DIC Asset AG in Frankfurt
- Prior to this 10 years experience in Real Estate Investment Banking at Barclays

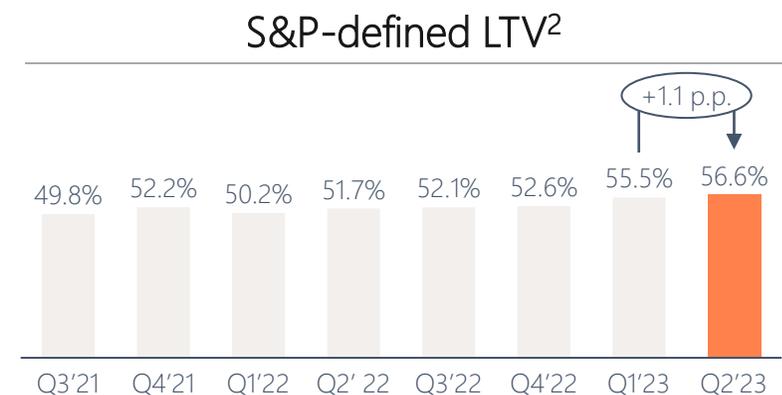
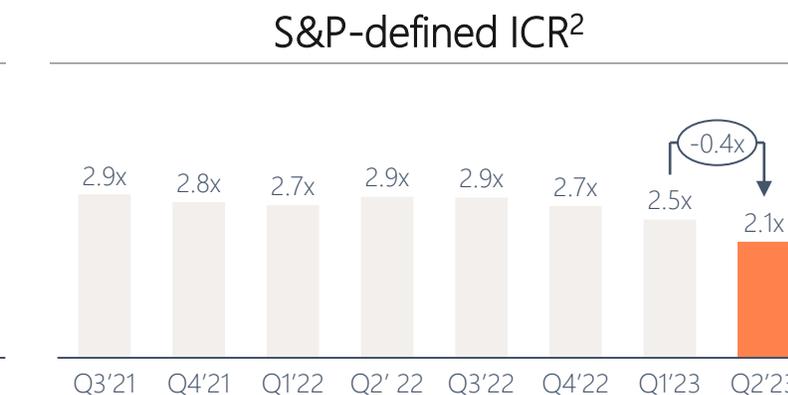
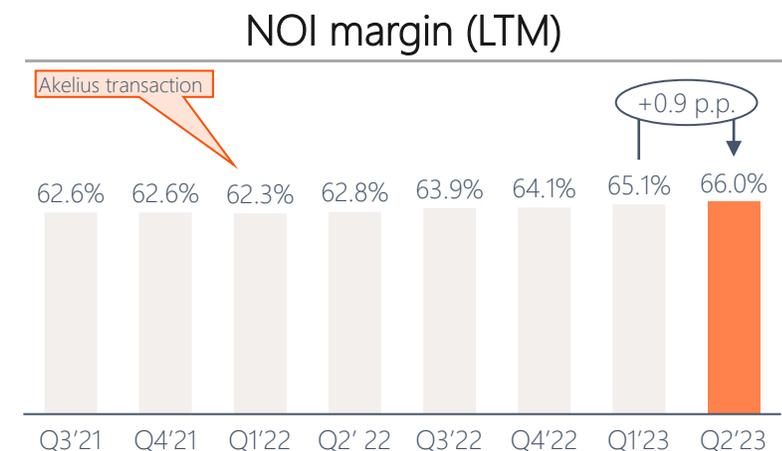
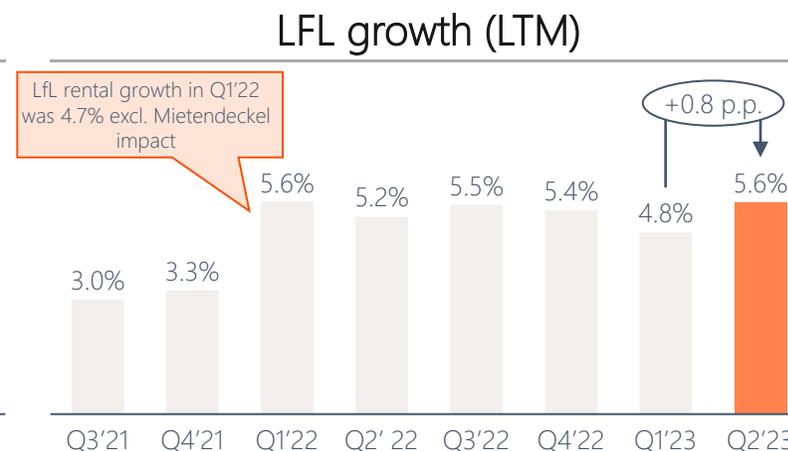
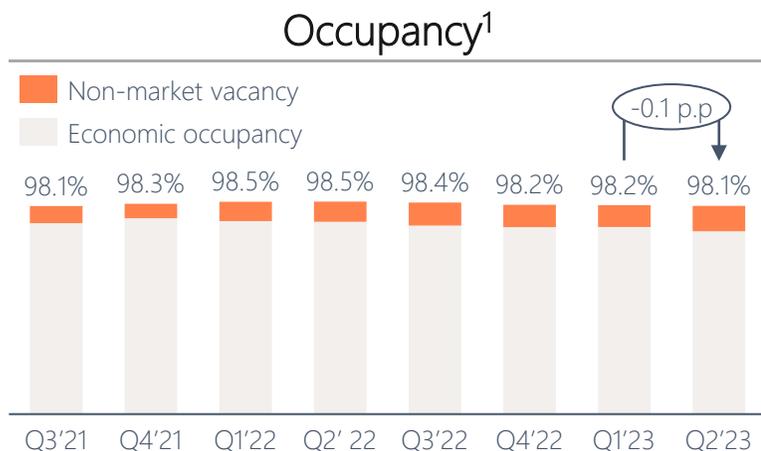
Thomas Hansen

Chief Financial Officer



- Appointed CFO January 2023
- Formerly senior leader in financial reporting and controlling, financial systems, international tax, and commercial operations at Scatec ASA
- Previously Director of Financial Reporting & Tax in Circle K Europe AS and auditor and advisor at KPMG

Strong operating results with expected pressure on credit metrics in current funding environment

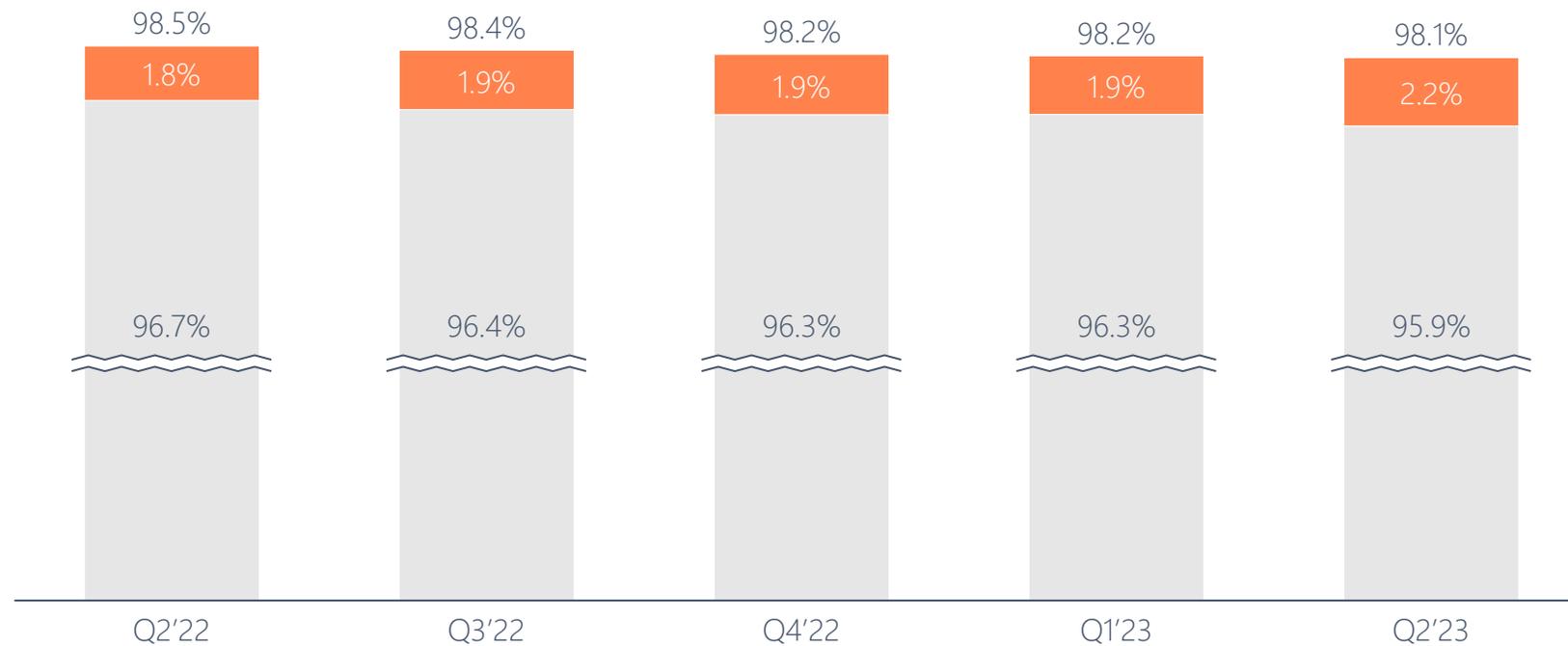


1) Real economic occupancy rate; 2) S&P definition that includes 50% of the hybrids interest expense and debt

Occupancy trends remain very strong with limited movement

Development in real economic occupancy

■ Non-market vacancy adj. ■ Economic occupancy

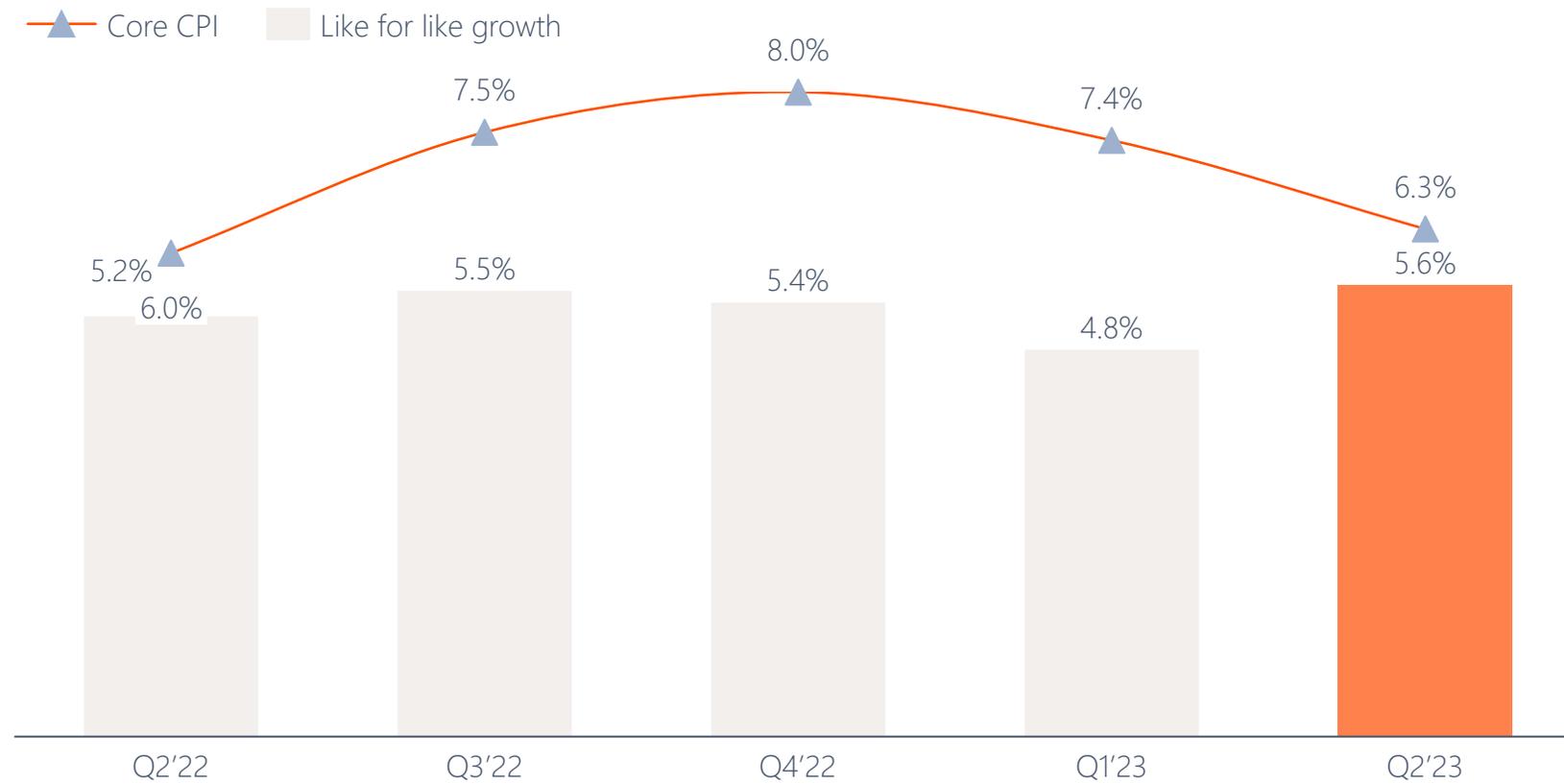


Real Economic occupancy by country

	Q1'23	Q2'23	Δ
	99.1%	99.3%	0.2%
	99.2%	98.8%	-0.4%
	96.6%	96.9%	0.3%
	99.8%	99.7%	-0.1%
	97.1%	96.8%	-0.3%
	99.3%	99.2%	-0.1%
	93.8%	93.3%	-0.5%
	85.7%	83.8%	-1.9%
	96.3%	92.4%	-3.8%
Total	98.2%	98.1%	-0.1%

Like for like rental growth continues strong track record

Development in like for like growth vs. core CPI¹



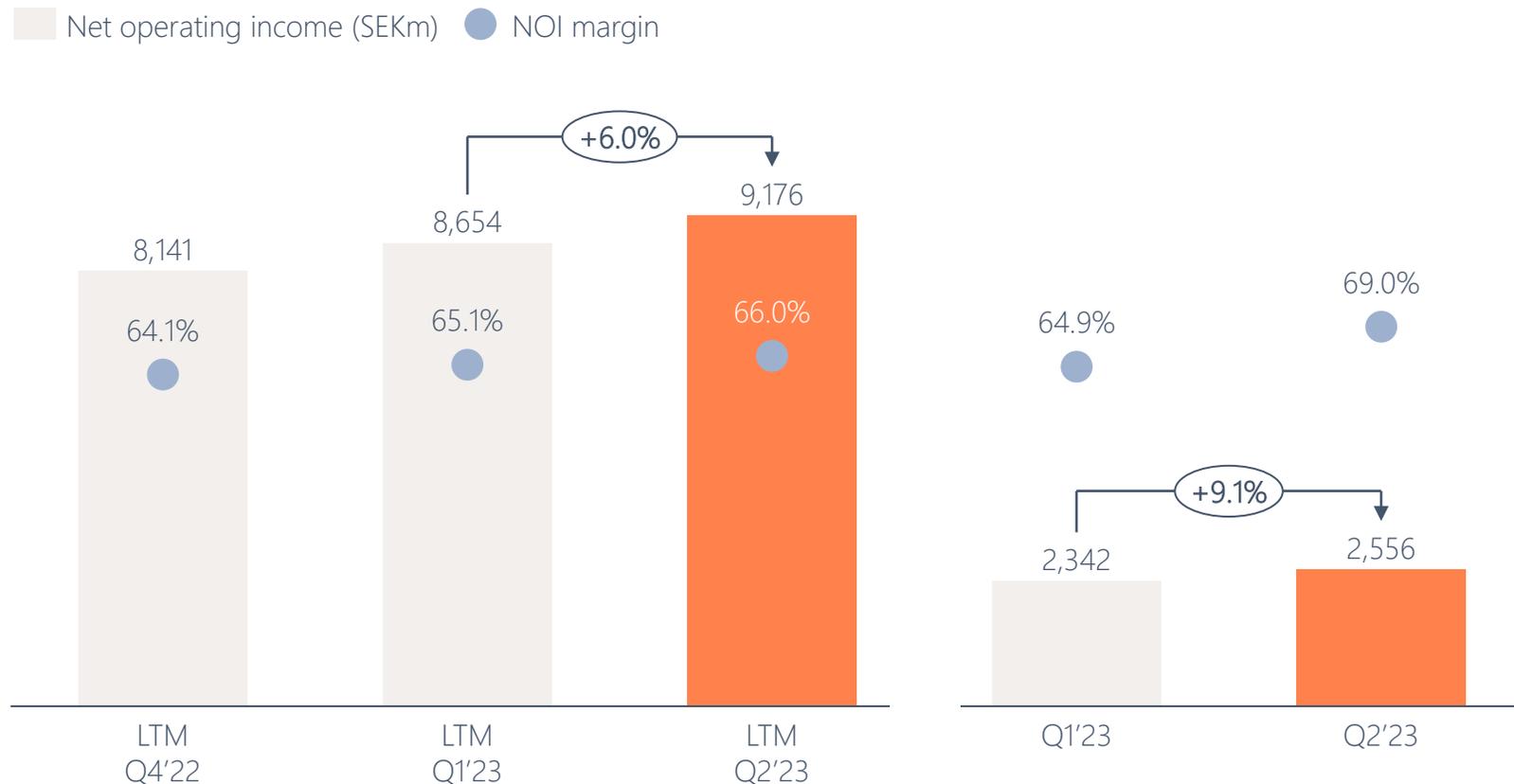
Net like for like growth by country

	Q1'23	Q2'23
	3.1%	5.4%
	3.2%	5.3%
	2.6%	1.0%
	4.9%	4.8%
	15.6%	15.8%
	7.4%	8.0%
	0.5%	0.8%
	7.1%	3.0%
	n/a	n/a
Total	4.8%	5.6%

¹) Year on year development weighted by HSTB GAV in relevant quarter

Strong NOI improvement trend continues

Development in net operating income



NOI margin by country¹

	Q1'23	Q2'23	Δ	H&W ²
	50.1%	60.3%	10.1%	
	77.9%	76.0%	-1.9%	
	66.1%	69.3%	3.2%	
	73.2%	78.5%	5.3%	
	72.6%	73.0%	0.4%	
	77.3%	77.3%	0.0%	
	43.9%	46.9%	3.0%	
	n.m.	n.m.	n.m.	
	43.5%	65.1%	21.6%	
Total	64.9%	69.0%	4.1%	

1) Excluding group adjustments by country, but included in total; 2) Cost carrier of heating and water



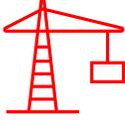
Paul Spina

Chief Asset Management & Development Officer



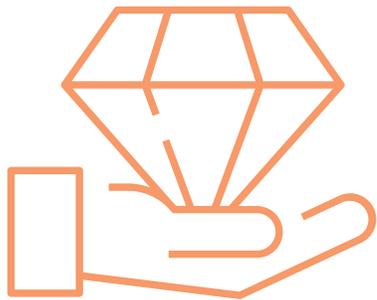
- Appointed CAMO November 2020 and took over responsibility for Energy and Procurement as of January 2023
- Previously Senior Director, Development and Project Delivery at WeWork

Definitional Framework for Capital Expenditures

CAPEX on Standing Assets				CAPEX on New Developments	
Value Preserving		Value Adding		New Production	
 <p>Capitalized Maintenance</p> <p>Preserve the value or increase the quality of an asset</p>	 <p>Sustainability</p> <p>5.8% yield on cost</p> <p>Supporting the company's climate roadmap and Science Based Targets Initiative (SBTi) and affordability</p>	 <p>Tenant Improvement</p> <p>5k units / year 8% yield on cost</p> <p>Modernization of units at churn</p>	 <p>Value-Add</p> <p>8% yield on cost threshold today</p> <p>Extensions, Conversions and opportunistic projects. Increase the value of an asset and grow the NOI</p>	 <p>Forward Funding and Forward Purchase</p> <p>New builds funded through a turnkey development partner during the construction phase (<i>Forward Funding</i>) or pay the purchase price at completion (<i>Forward Purchase</i>)</p>	<p>Own Development</p> <p>New builds developed on in-fill land</p>

Utilizing Optionality

Fewer new investments



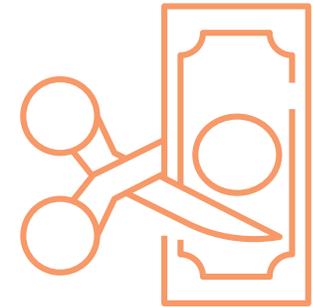
Postpone opportunistic projects until the future

Repair vs Replace



Carry out repairs as running maintenance

Optimize for Cashflow



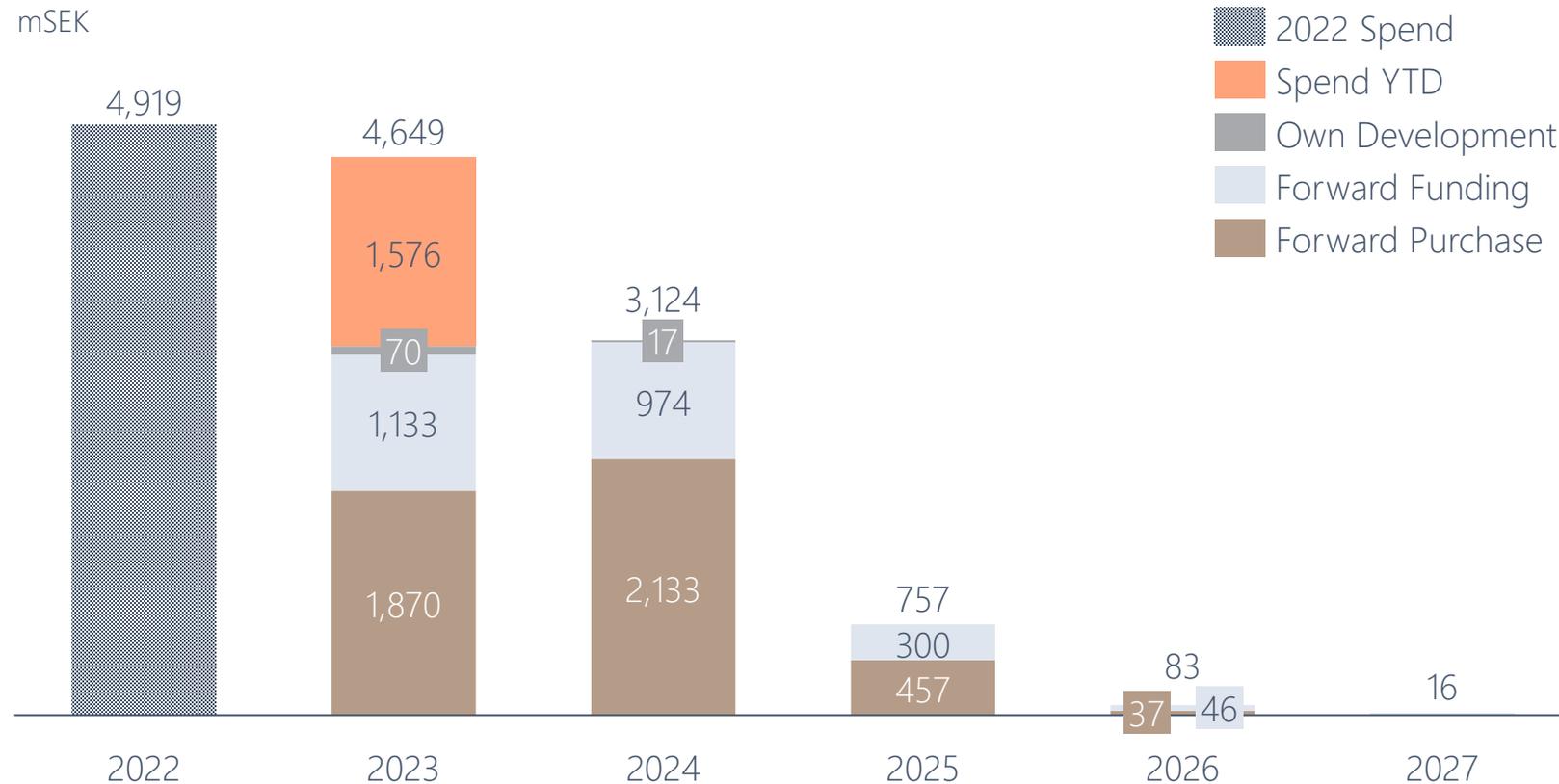
Focus towards cash generation and projects with immediate P&L impact

All projects are analysed thoroughly on a case-by-case basis

New Build Pipeline

Legacy Projects approach completion and transfer to NOI contribution

Spend on Ongoing Projects (Own Developments, Forward Funding & Forward Purchase)



NOI from ongoing projects

	in mSEK	NOI	Yield on Cost
CZ		40	5.48%
DK		70	4.87%
FI		1	5.43%
NL		25	4.13%
NO		3	2.44%
SE		277	4.24%
PL		262	6.42%
UK		83	4.55%
Total		759	4.95%

Built to sell

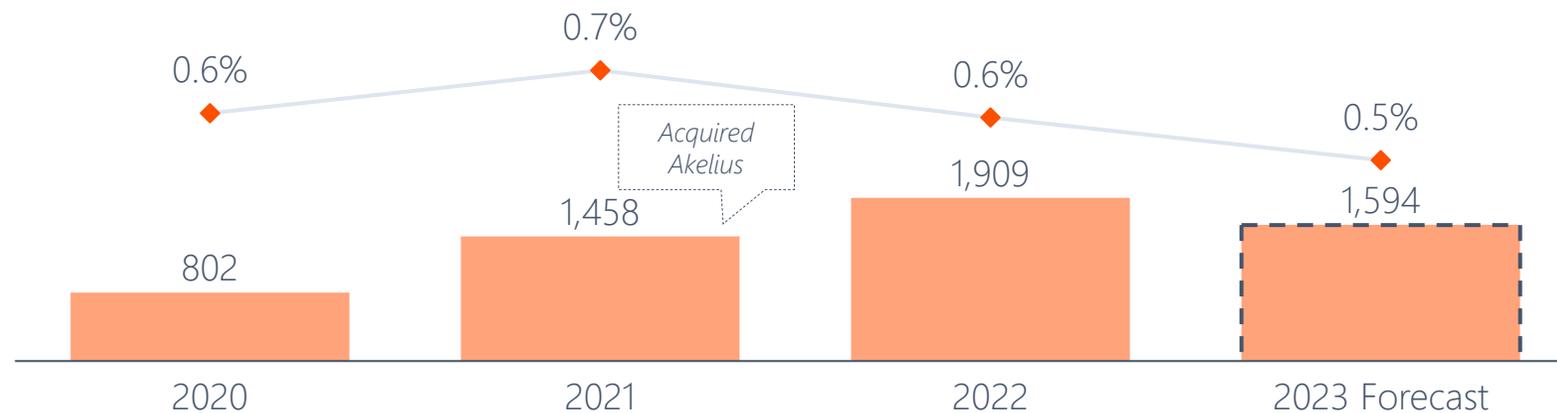
Strong Cost Controls In Place

With low required spend to maintain high quality assets

Capitalized Maintenance corresponds to <0.5% of GAV¹

mSEK

◆ % of GAV ■ Capitalized Maintenance



¹) GAV represents average Gross Asset Value by year.

Continuous Balancing

between repair and replacement results in absolute reduction of 15% YoY despite rising construction cost inflation

Low Maintenance Requirement

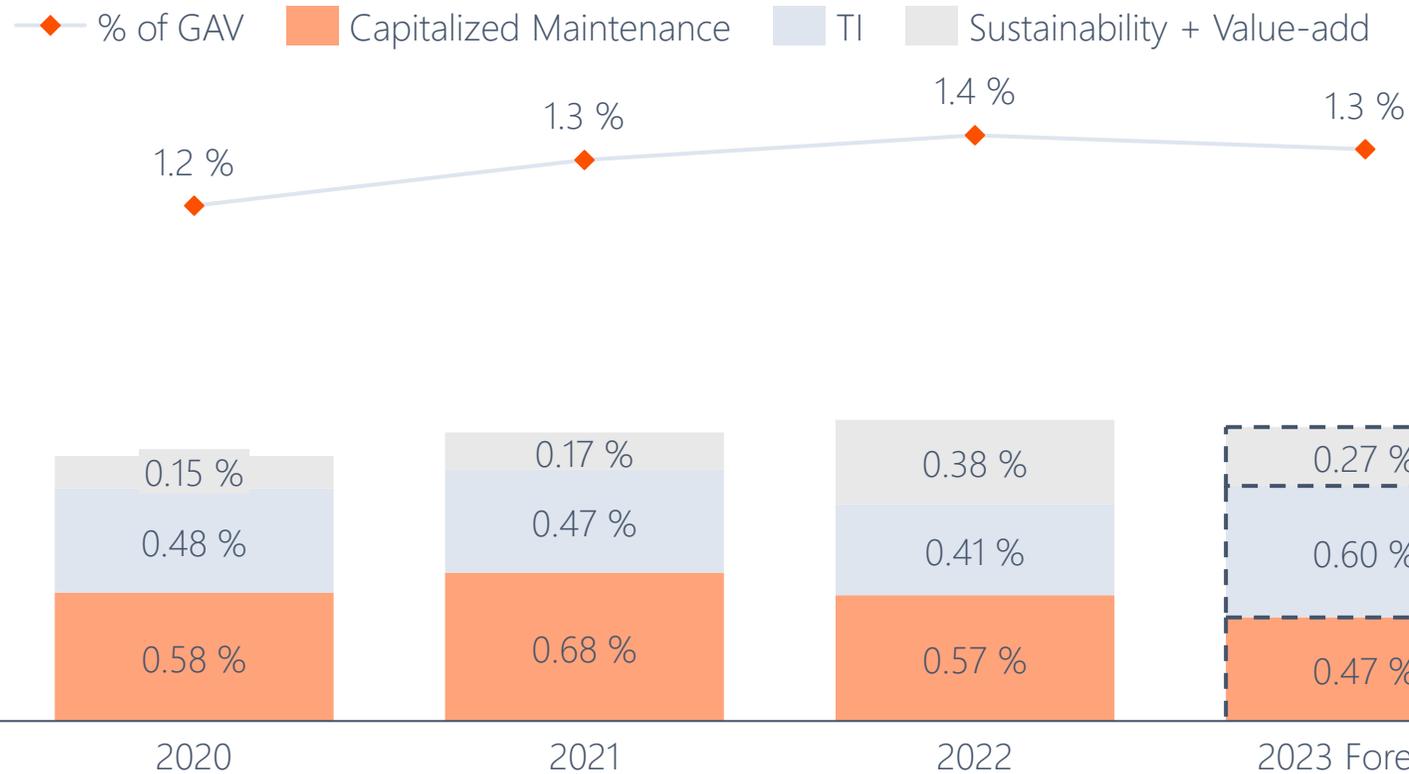
Forecast to spend ~0.4% of GAV per annum towards stabilization based on high quality portfolio

Focus on Top-Line Growth and Sustainability

Decreased Maintenance Capex While Increasing Tenant Improvements

Increased share of spending is income producing

% of GAV



Controlled scale

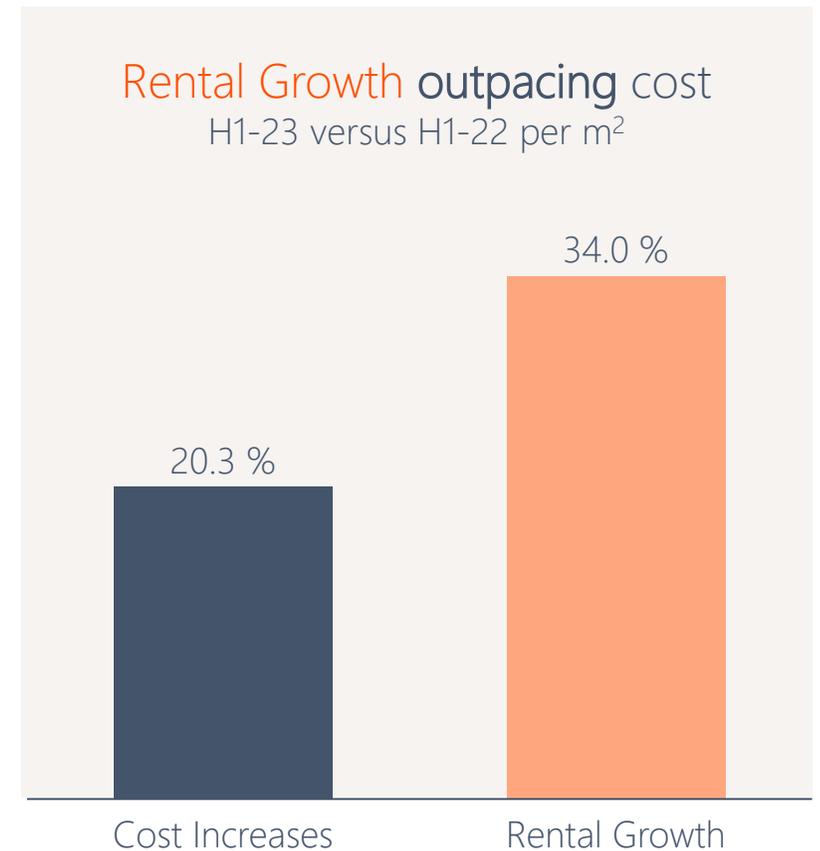
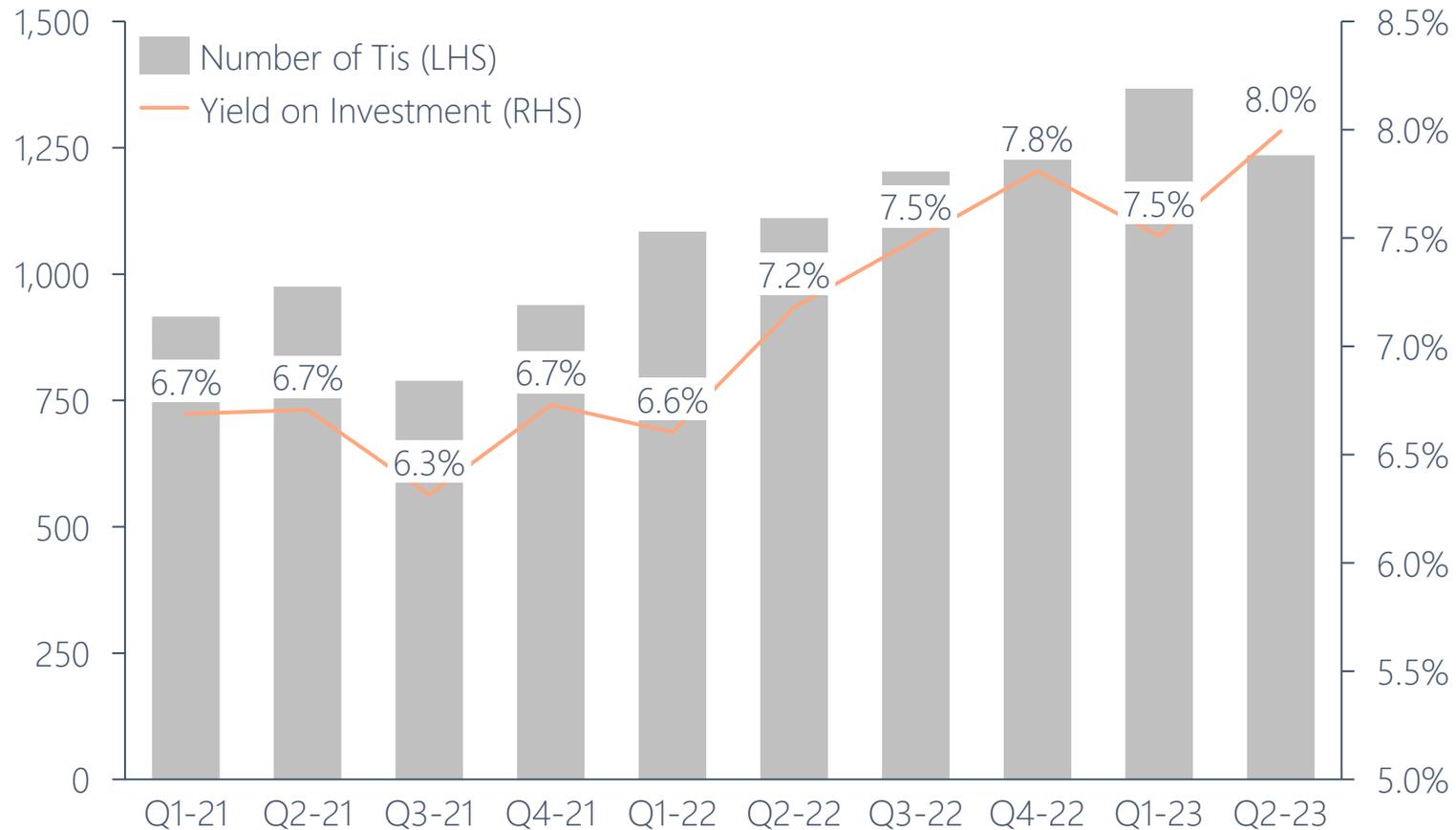
Clear cost control despite
~2.5x growth of GAV

Immediate returns

TI forecast the largest CAPEX
program in 2023 with increased
focus on sustainability investments

1) GAV represents average Gross Asset Value by year.

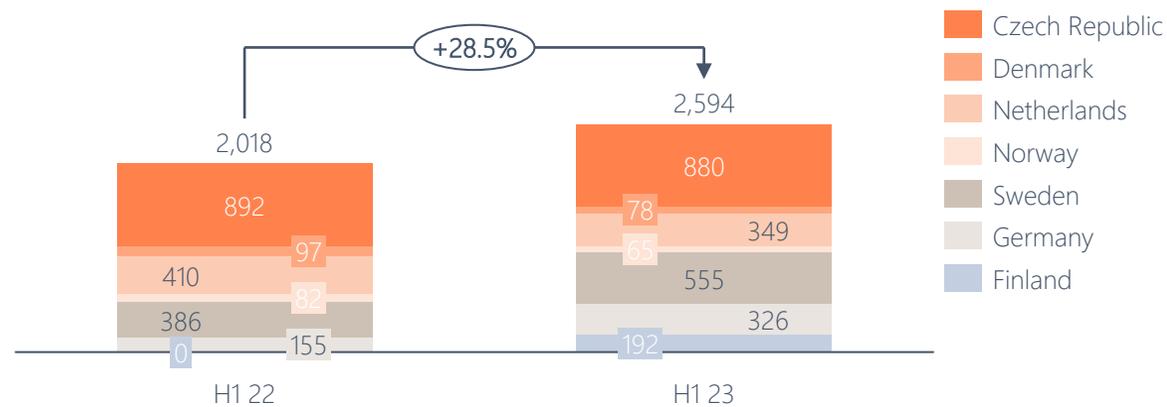
TI Program delivers steadily increasing returns



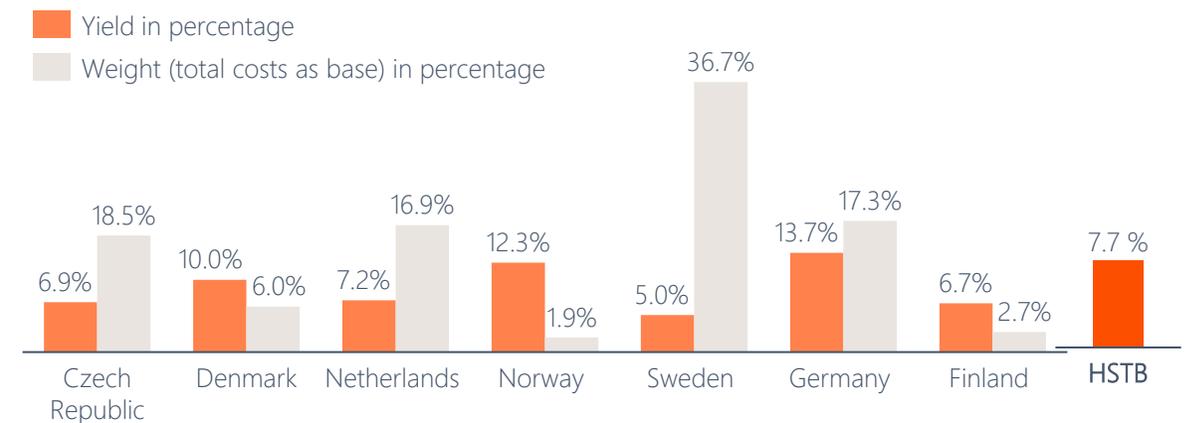
Tenant improvements – H1 2023

28.5% higher volume in completed TIs with improved yield on cost at 7.7% while rental increase per sqm continues to outpace cost inflation

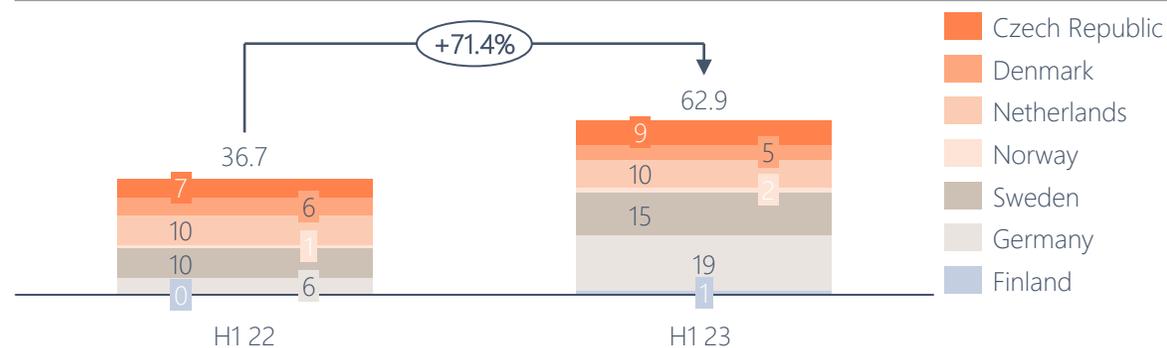
28.5% more Tenant Improvements in H1 2023



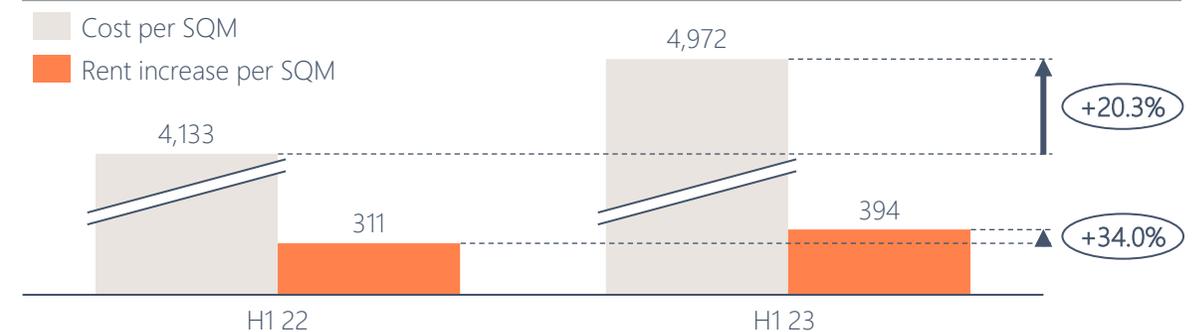
Yield on costs & country weight in H1 2023¹



71.4% higher rental increases in H1 2023



Rent increases outpacing cost increases in H1 2023



¹⁾ Weighted by costs, Sweden is the biggest contributor with a weight of 36.4%. This further implies that an improvement in the Swedish performance will have a more significant impact on overall performance compared to e.g., Czech Republic.

Climate Roadmap & Sustainability Capex

Science Based Target

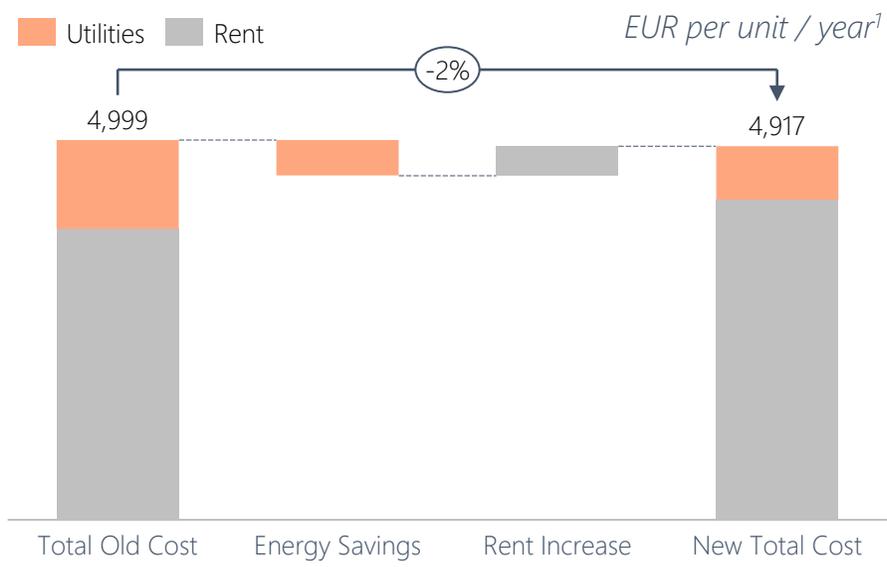
5.8%
Yield on Investment

690 EURm
Total Investments
(2020-2030)

~140,000 tons
CO₂e saved p.a.

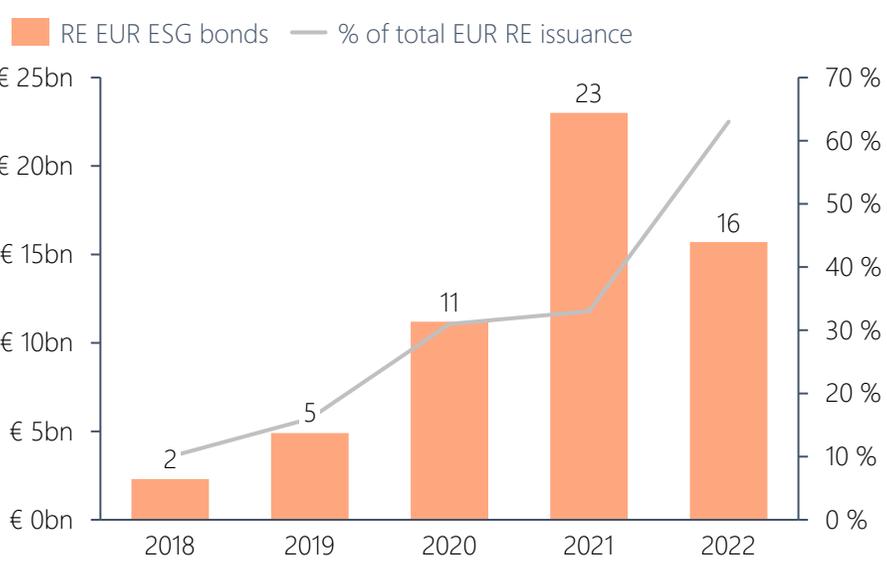
Supports Affordability

Support Affordability
Returns arise from energy reductions.
Directly as OPEX savings or
Indirectly as rent increases



Capital Markets Friendly

High quality assets with access to capital
Green Bonds and Sustainability Linked
Improves (re)financing options
Meets expectations from investors



¹⁾ Average across 2,018 units in Czech Republic finished in 2019 and 2020. Heating costs is calculated as current cost per kWh scaled at yearly consumption pre and post thermal insulation. Old Cost is rent before project start inflated at CPI. New rent is today's rent.

Christian Fladeland

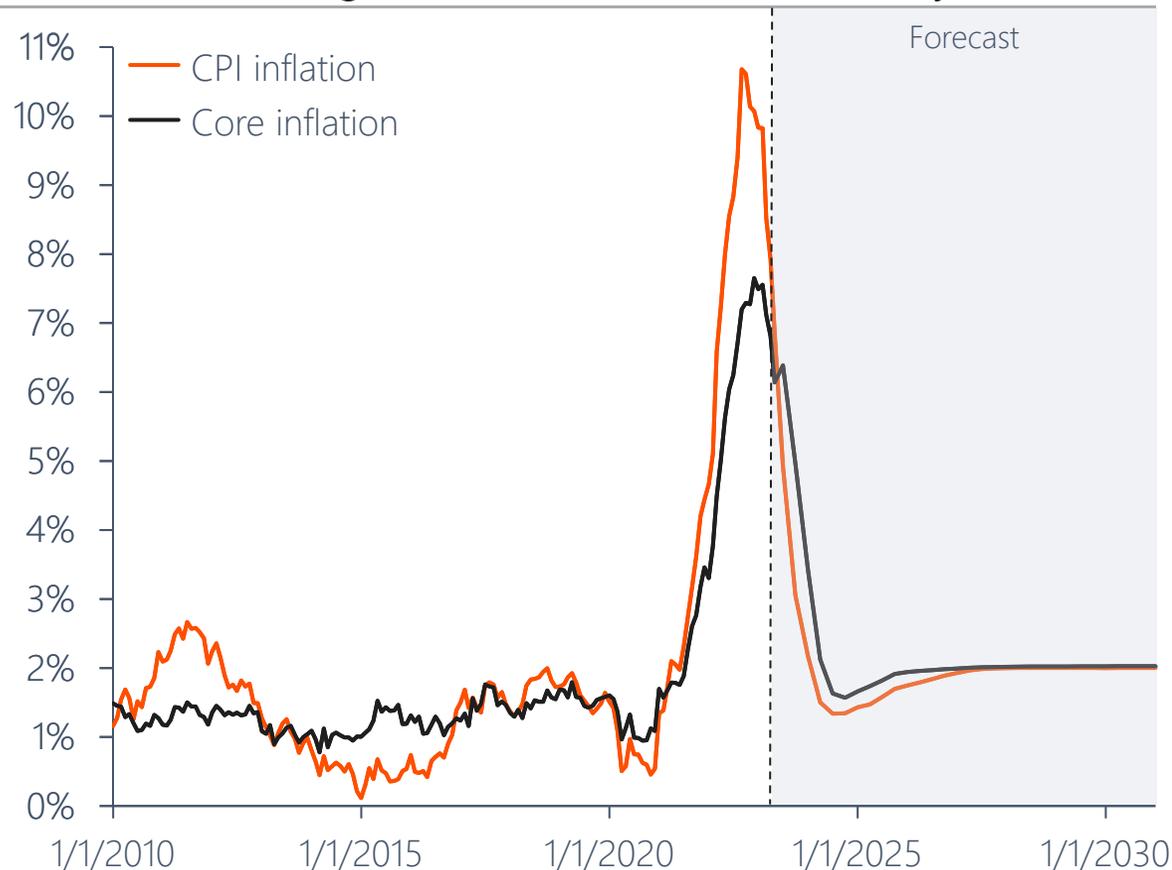
Chief Investment Officer



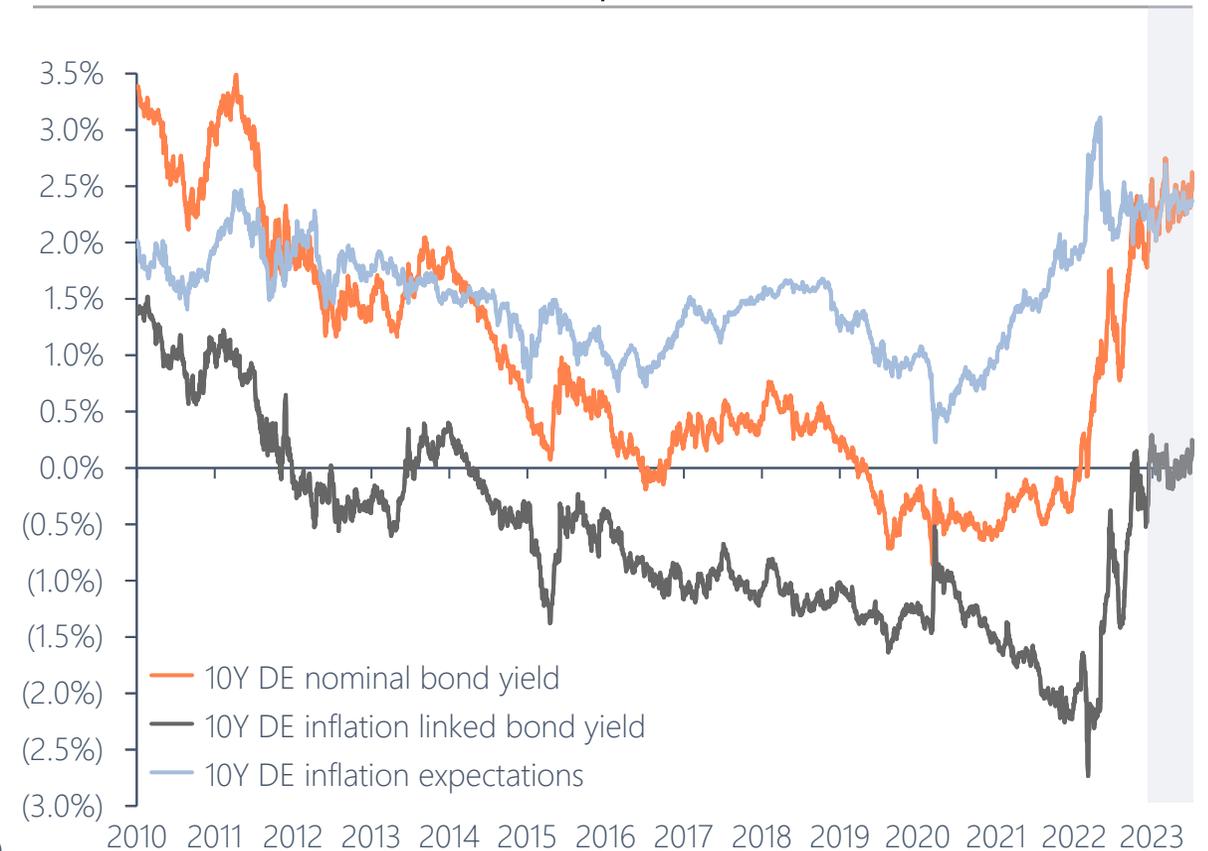
- Appointed CIO January 2019
- Previously Partner at Colliers Denmark and Sadolin & Albæk specialized within Capital Markets

Inflation and real rate development

CPI Inflation¹ cooling off - Core inflation remains sticky



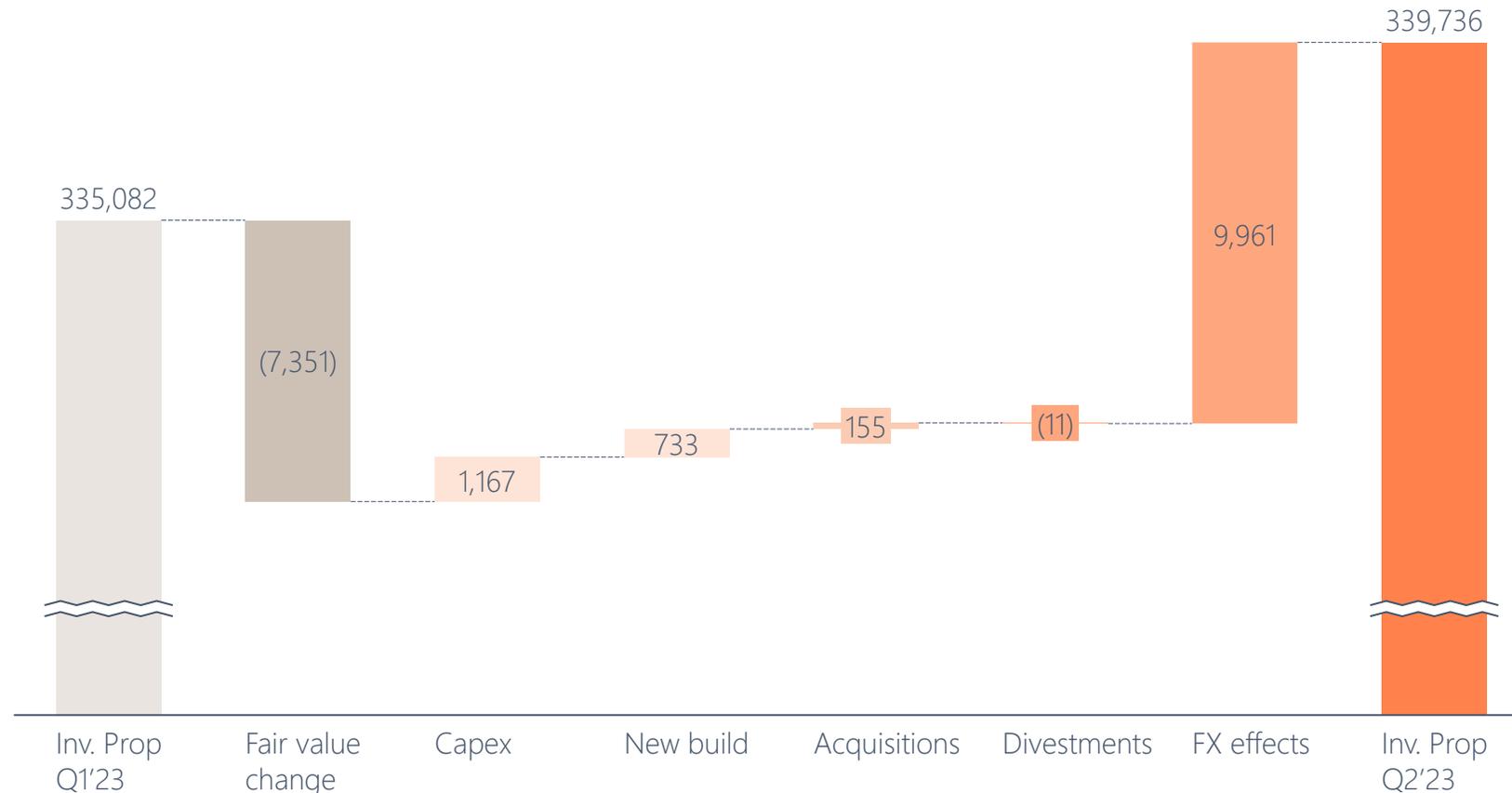
Real rates have stabilised in the past 9 months



Source: Macrobond, Oxford Economics, and Bloomberg
 1) Inflation figures weighted by Heimstaden Bostad's GAV as of Q1 2023

Negative fair value development for H1 2023 but expecting stabilization in H2

Development in GAV (SEKm)



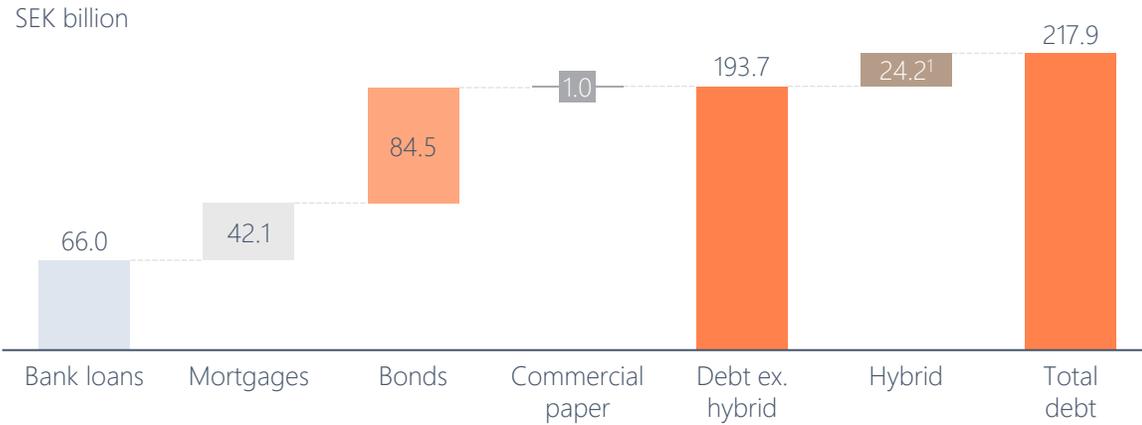
Value development by country

	Q-o-Q ▲		NOI Yield ¹	
	%	SEK m	Q2'23	Q1'23
	(2.6%)	(2,438)	3.2%	3.0%
	(4.0%)	(3,656)	2.6%	2.5%
	(0.7%)	(568)	4.1%	4.1%
	(2.9%)	(862)	3.7%	3.6%
	0.9%	240	4.6%	4.6%
	(0.1%)	(10)	3.0%	3.0%
	(0.9%)	(38)	4.3%	4.2%
	(0.9%)	(37)	4.3%	4.2%
	1.1%	17	5.6%	5.4%
Total	(2.1%)	(7,351)	3.4%	3.3%

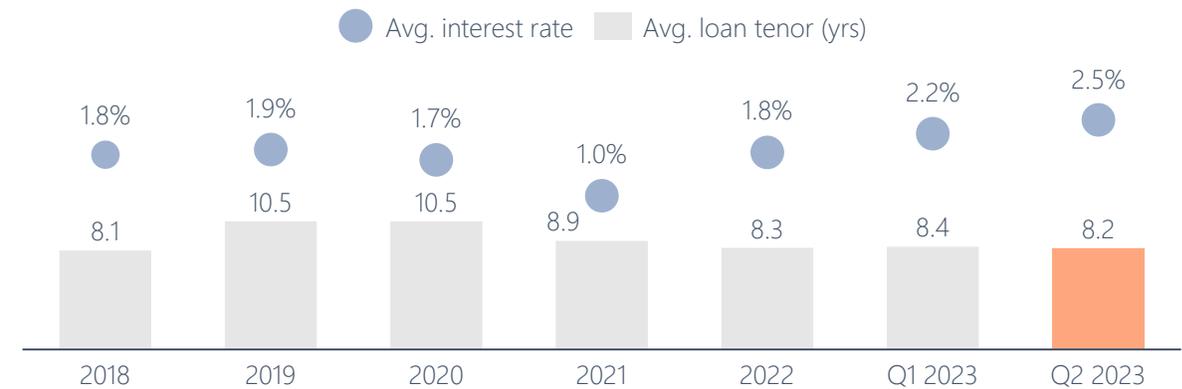
1) Average valuation yield requirement

Major theme remains the interest rate environment

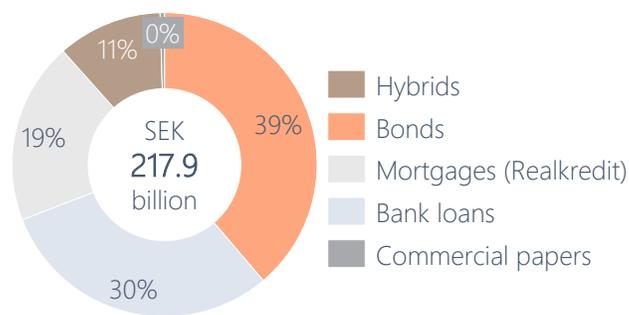
Diversified funding sources



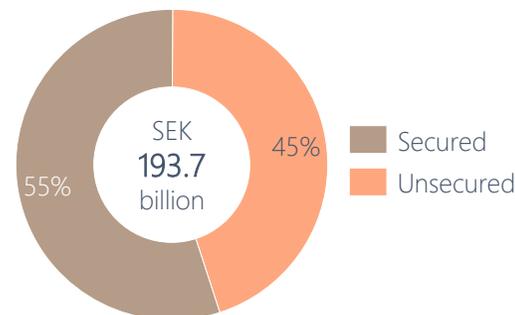
Long average tenor with low average interest rate



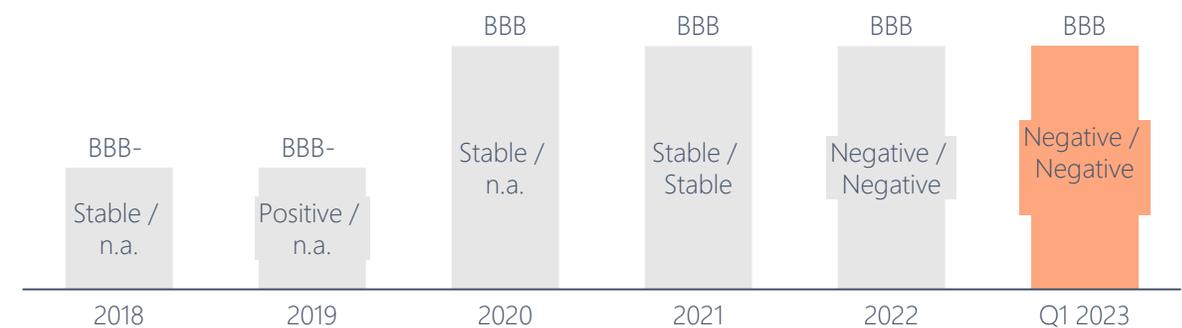
By instrument



By security level²



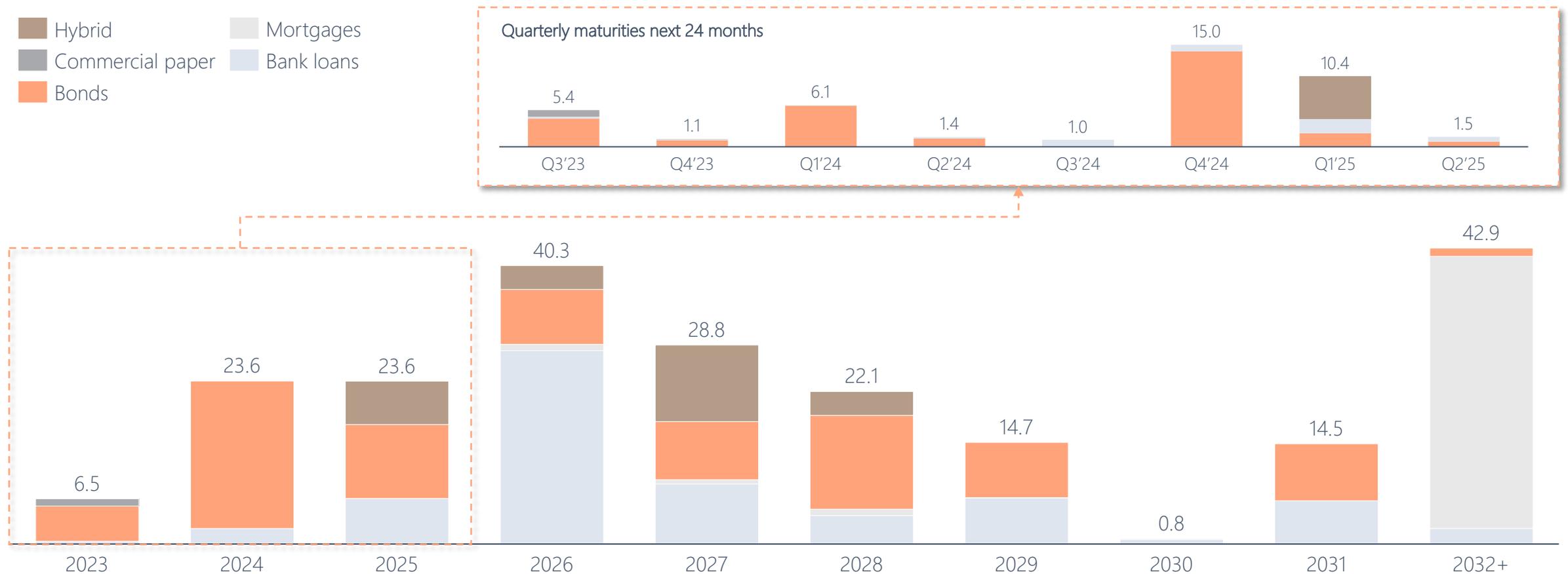
Investment Grade ratings from S&P and Fitch



¹) Accounting value of hybrids; ²) Only senior debt, i.e., excludes hybrids

Prudent management of upcoming maturities

Maturity by instrument (SEK bn)



Financial Policy

KPIs	Q2 2023 actuals	Current policy levels
Interest coverage ratio (S&P method), multiple	2.1	Changed to $>1.8x$ ≥ 2.4
Net debt / Net debt + Equity (S&P method), %	56.6	Changed to $< 60\%$ < 55
Average loan tenor, years	8.2	≥ 4
Loan maturity individual year, %	18	≤ 25
Loans from individual lender, %	8	≤ 20
Interest rate hedge, %	77	≥ 75
Liquidity ratio (S&P method), %	1.41	≥ 1.25



Heimstaden

BOSTAD